

Abstract of the Disclosure

COMPENSATORY RATIO HEDGING

5 Compensatory ratio hedging is a methodology
whereby an amount of a bond that is hedged by a swap
varies during the life of the swap, per a
predetermined schedule, such that the change in the
swap's mark-to-market dollar value is equal to the
10 change in the bond's market value caused by an equal
change in interest rates. The amount of bond being
hedged by the swap will vary over a predetermined
period of time to compensate for the differences in
swap and bond valuation drivers. This methodology
15 establishes a hedge such that an interest rate change
has a similar dollar impact on the swap mark-to-market
value and the bond mark-to-market value thus
curtailing some reporting implications of Financial
Accounting Standards No. 133 of the Financial
20 Accounting Standards Board.

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